

MINUTES OF THE MEETING OF THE CO-OPERATIVE COUNCIL OF
AUSTRALIA HELD WEDNESDAY 20 OCTOBER/THURSDAY 21 OCTOBER
1999, 9TH FLOOR, RIVERSIDE BUILDING, NORTH TERRACE, ADELAIDE

PRESENT

Mr. J. Howard	Chairman & QLD Co-op Federation
Mr. D. Kinnersley	NSW Co-op Federation
Mr. R. Butler	NSW
Mr. J. Booth	WA Co-op Federation
Mr. D. Osgood	SA Co-op Federation
Mr. I. Wilson	SA Co-op Federation

APOLOGIES

Mr. D. Kinnersley offered an apology from Mr. G. Cronan who said he was very sorry he was unable to come.

CONFIRMATION OF MINUTES

Mr. D. Osgood moved
Mr. J. Booth seconded

That the minutes of 30/10/98 be accepted.

CARRIED

It was also noted that there was an informal meeting held in Canberra following the National Conference 21/4/99 at which discussion was entered into and certain steps taken as an interim manner and will be confirmed at today's meeting.

BUSINESS ARISING FROM THE MINUTES

Most of the issues have been transferred into general business and were scheduled.

One issue noted was the National Conference. The National Conference in Canberra from all people's estimation was a good start in achieving some of the objectives.

It was reported that Mr. Alan Ferguson was very impressed with the Conference and the cocktail party and he felt we had made a good impression and had impressed the government.

The most Senior Government Minister in Canberra at the time of the Conference, Senator Richard Alston, addressed the cocktail function. Mr. Howard took Senator Alston around to meet members from co-operatives from marginal electorates. The occasion had quite an impact on him.

Concerns were expressed by members that national co-ordination in relation to legislation and cross-border issues was not adequate.

We still do not have the legislation to form a national co-operative. (Victoria has recognised all states except N.S.W.).

Mr. Howard said we needed to move forward very carefully.

FINANCIAL REPORTS

The bank statements were tabled - the only transaction was a payment for the Taxation matters addressed by Mr. Howard. Mr. Howard asked Mr. Booth to obtain copies of bank statements that are still missing.

CORRESPONDENCE

Copies distributed to CCA members of all inward and outward correspondence.

Correspondence was noted:

DR. GARY LEWIS

Proposal for a CCA publication

It was agreed that the CCA not take up the offer but to try and send contacts his way.

DAVID GRIFFITHS

Short term appointment as Victorian Federation representative

MUTUALITY AUSTRALIA, Vern Hughes

Mr. D. Kinnersley gave a report on the meeting on mutual organizations.

Niche group originated out of Victoria

Mr. Howard said Co-operatives do not have a slick lobby group but come in with genuine issues and issues well thought out. We need to continue to raise our profile but do not have funds to progress professional lobbyists and we receive more genuine support in some areas because we do not operate high profile lobbying organisations.

Co-operatives are not always pure mutuals. The situation is that a co-op can be a mutual but it is not written into legislation that it is a right membership must have. A co-operative however is the best structure that a mutual organisation has to achieve its goals and we certainly have common interests.

MR. G. CRONAN
CO-OPERATIVE RESEARCH & DEVELOPMENT CENTRE

CCA endorsement letter forwarded as a result of the last meeting.

MS. M. O'DONNELL, QLD REGISTRAR OF COOPERATIVES
OFFICE OF FAIR TRADING

Queensland Fundraising Submission

OFFICE OF FAIR TRADING, QLD
AMENDMENTS TO THE COOPERATIVES REGULATION 1997

Currently no 5. The Qld Co-op Federation has written to the Premier with no reply received. (Relevant national changes on directors, auditors, etc.)

GENERAL BUSINESS

LEGISLATION

FUNDRAISING LEGISLATION

Most important topic for NSW and Qld that they want genuine fundraising and genuine cross border transactions.

Mr. Kinnersley referred back to the fact that we don't have legislation across all states.

Registry Group has not progressed. Victoria does not have a separate Registry department. Paul Kerr in Queensland has kept a separate Registry office. Mr. Kinnersley advised that he had written to Victorian Registrar and has not received a reply.

The meeting agreed that the Chairman write to the Victorian Attorney General as a national issue re Co-operative legislation recognition across borders, if enquiries of Victoria deem it appropriate.

Registrars to address the restructure flexibility - script for script tax concessions has been widened and the legislation may need to allow, or at least, not restrict transfers of script in proposed fundraising area.

In discussion, Mr. Howard made reference to a Queensland Co-operative with two classes of shares as a first for Queensland.

In summary, Mr. Howard said that all Federations needed to approach their Registrars to accelerate amendments and if needed contact Paul Kerr to hurry things along. It was agreed that the Federations were all united that they wanted the maximum flexibility from any fundraising provision and that they be uniform nationally.

It was noted that the Victorian Federation did not put a submission in.

COMPETITION POLICY LEGISLATION

Mr. Kinnersley said Competition Policy is the law and we should not try to stop Competition Policy.

CO-OPERATIVE LEGISLATION GENERALLY

Dot Points as submitted by Paul Kerr discussed

- Interstate agreement - drafted but not executed. Still subject to discussion.
- Declaration of Laws in other states.
- Keeping of Registers - considered draconian. Industry will be asked to formulate proposals - the meeting asked for clarification on the Registry's meaning.
- Cross Border transactions - which constitutes carrying on business - industry is invited to formulate proposals. To be compared with Corporations Law - no reference. Each Federation to take up individually. Mr. Kinnersley said Peter Boland is trying to find a way for each state to trade in other states. The members referred to the way Driver's Licenses were issued and how they enable you to drive in other states why can't they operate a similar method for co-operatives wanting to do business in other states?
- Companies becoming co-operatives - no reciprocal rights; Corporation Law has to be amended allowing for companies to become co-operatives.
- Transferable delivery rights - revisit
- Managed Investment schemes (Prescribed Interest) Responsibility of ASIC-revisit Discussion on Farm Forestry Co-operatives was held
- Foreign Co-operatives - trading interstate - Must comply fully with the law of the State - linked with the previous issue of cross border transactions
- Regular meetings between industry reps and regulators - at least twice a year - Registrars unable to do this at this time because of budgetary constraints. It was agreed that the CCA should also meet at least twice a year at the same time. The CCA was concerned at the budgetary constraints of the registrars. Mr. Kinnersley raised the opinion that if the other states agreed that Mr. Peter Boland could be the Secretariat for the legislation and Peter and another lawyer could manage the legislation on behalf of all states funded by the NSW Government. Mr. Kinnersley said if Mr. Peter Boland sole job was to look after the legislation, we could get somewhere. Mr. Paul Kerr could remain Chairman of the Committee. The other state federations spoke favourably for Mr. Peter Boland to be Secretariat.
- Fundraising paper - draft being prepared by Queensland for circulation to other jurisdictions.
- Tax liability on share issues
- Rebate share not bonus share - to be considered at a future meeting Mr. Howard said he thought this was going to change.
- Trading-non trading co-ops - should be distribution and non distribution - not considered a vital issue - it should be clear to everyone.
- Co-op legislation not meshing with Tax legislation - to be discussed further. Mr. Howard said there are some benefits from reform but with more administrative costs.

- Staff holding CCU's or subordinated debt as incentive. Mr. Butler said it is up to the members.
- Separate Accounting Standards for co-ops - examples to be given as to why existing standards are not appropriate.
- Mr. Howard said there is one accounting advantage difference in a co-operative, the distinction between a surplus and the profit. In his opinion we are not going to draw major attention to the exception but could seek recognition of it. Discussion followed.
- Benchmarking - we have all asked for statistics over time and we will be able to have accurate statistical information when there is a uniform collection around Australia.
- The meeting agreed that the CCA negotiate with the Registry those divisions with clauses allowing exemptions from compliance that may apply to small co-operatives (or other groups) as a class action.
- Co-operatives are very good investment vehicles.
- Current Amendments - before the Parliament in Queensland awaiting debate
- Super Fund investment in Co-ops - to be discussed

IMAGE

Mr. Wilson said there is a need for the CCA to come out with some positive promotion of the advantages of a Co-operative over a private company.

Mr. Howard said that 18 months ago there were areas set up of expertise, but the individuals didn't deliver. We collectively had to bear responsibility that no one has delivered and it is only the tax one that has progressed and only because of necessity.

Mr. Wilson said that in state publications and newsletters we would publish the benefits and advantages of Co-operatives.

Mr. Kinnersley said that there are some negatives - namely the legislation, you cannot have an interstate co-operative, the corporate governance issues, the democracy which is associated with electing Boards and the funding of co-operatives.

Mr. Howard said that by getting the Registrars to speed up the processes and by having Mr. Peter Boland as Secretariat a lot of the issues hopefully would be resolved.

We have to recognise things moved in staged approaches.

Mr. Howard raised the issue that Mr. Gary Cronan from the Co-operative Research & Development Centre is looking for business. I have a situation where some people have said to me if you set up a Trust fund separate to the CCA where people can come and go and can put in funds then they become part of the management thereof and we would then be able to broker some work including research out of Gary. Mr. Howard said he was leaning towards that idea because co-operatives will not give the funds over to the CCA. The people in the industry who put the funds in should have a say on what specific issues they want out of it. Mr. Howard thought that if it can be facilitated then it would be some way of progressing.

The meeting was made aware that we have to be sure that the Centre for Co-operative Research & Development has the resources to deliver as real work is being outsourced to others not being done by Gary.

Mr. Howard reiterated that he would like to set up a fund where Industry can put money in and for that time they become part of the management.

Mr. Kinnersley said he would be very concerned with someone approaching a co-operative in NSW for money for something, which might in fact prevent them from also participating or joining in their State Federation. N.S.W. would not support the idea but Mr. Howard could sit it up for Queensland only if he wished.

The meeting adjourned.

The meeting recommenced on Thursday 21st October 1999

GENERAL BUSINESS CONT'D

FUNDING OF CCA

Other matters raised by Mr. Kinnersley included

- (a) What was the funding for the CCA and in particular how are we going to cover the costs of various activities
- (b) and what activities the various Federations have in mind for next year
- (c) and to get an idea of the various programs for the states.

It was acknowledged that all Federations are hurting now with the loss of members. The finances are no longer there. It was noted that separate issues may need specific funding but there is no point having CCA money sitting in a bank account and doing nothing.

Mr. Kinnersley said do we need to fund the CCA? Currently, there is more than enough money in the bank to handle the current issues. If there is a big issue, then we will have to fund that.

Mr. Howard said that he would have liked to set up a separate industry issues trust fund.

Mr. Kinnersley asked about the Victorian membership? Mr. Howard said that David Griffiths is appointed as the delegate for 2 months for now.

On funding of the CCA, it was suggested not to go below \$5,000 in the bank in case a specific issue comes up. It was then suggested and endorsed that the funds of the CCA be reviewed on an annual basis.

Mr. Kinnersley also said that he would like to talk about a Retail Workshop he was organizing with Mr. Booth (WA). They (Retail Co-operatives) were looking for ideas for the future and to get together and talk. He would like to have the Barossa as the

venue for the Conference. The focus being on a 2 day Workshop Conference. The CCA members considered this to be a good idea.

MUTUALITY

Arising again under taxation.

TAXATION & GST

It was asked that after the final recommendations of the Business Review on Taxation, whether we should hold a seminar or put out a Newsletter from the CCA?

Discussion was held on the GST effect on co-operatives.

- You should have your software in place and know it well before the 30th June.
- Look at your contracts.
- Look at your stock on hand for sales tax as GST Input Credits.
- Write to suppliers for indication of effect on costs.
- Plan Cash Flow impact (particularly accrual accounting where GST is to be paid even though money not received)..

RALPH REPORT

Mr. Butler said that we now have an agenda maybe we should have a one-day seminar from the Ralph Report under the auspices of the CCA.

Mr. Kinnersley asked Mr. Howard if he could do an information page on the Ralph Report that the State Federations could put in their individual state newsletters. Mr. Booth said that he had spoken to Mr. Howard and said that Mr. Howard could be reimbursed for his additional work.

The meeting thought that questions needed to be asked at this stage and answers provided later.

Mr. Howard went on to report

- One of the big issues is what is "commercial" and what is not in relation to rebates and discounts.
- How do we distinguish ourselves as co-operatives?
- We had to go the entity taxation route.
- Co-operatives are now going to get the franking benefit.

Mr. Howard informed the meeting of his involvement with the delegation of the Sugar Industry that visited Canberra and subsequently met with the full national Party as well as Mr. Peter Reith. Mr. Howard was able to put the broad co-operative package to the politicians. Mr. Howard acknowledged that he represented all co-operatives but

would not have had the opportunity to see so many politicians without the Sugar Industry delegation. The group eventually moved on to Mr. Rod Kemp and also received a very good hearing and support.

DIVIDENDS:

The meeting was informed that you must not distribute surplus on the basis of share holding unless you want them to be taxed as dividends.

Another concession which is very significant was co-ops be recognized as having immediate refund of imputation credits. If you get a dividend from the co-operative it will be assessed imputation tax on that however, you the individual have the right to obtain an early refund of the excess imputation credits and that the early refunds be provided by the distributing entity at the time of distribution. The key words in there is closely held trusts, closely held companies (as in less than 20 people), and all co-operatives.

The meeting fully discussed dividends and franking credits.

The question was asked, "what is a taxable income of a Co-operative"? Definitions may change in later releases.

Overall we will all end up paying our fair share of tax compared to other entities with some marginal gains and some marginal losses.

▪ P.A.Y.G. & IMPUTATION CREDITS

P.A.Y.G. replaces all the varieties of tax collection systems. Whether you are the receiving or the paying organization one way or the other that is going to be collected within 3 and a half months at most of having received the revenue.

If you have investments in value added entities below the co-op and you receive franking credits those franking credits will flow through as well. A big win for some co-operatives with group structures.

Mr. Howard went on to talk about what is a "Co-operative".

Where does a dividend start and where does a rebate finish? This will require careful review of rules, possibly a formula basis to rebates and clear management processes to distinguish rebates from dividend as discussed earlier.

Mr. Howard advised the meeting that there would be a lot more on the revenue definition side yet to come. It will be subject to general clauses not specific items being defined as Income.

▪ CAPITAL GAINS TAX

The meeting discussed the new Capital Gains Tax.

▪ SECTION 120(1)(C)

That will basically stay as it currently is.

PRESS RELEASES

- Depreciation - You can pool your assets and depreciate them at a fixed rate of 30%.
- Not having to do Annual Stock Takes in small organisations.
- Script for Script
- Cash Accounting
- Super Funds
- FBT - Briefly discussed by the meeting.

The meeting closed.

Confirmed.

CHAIRMAN